Not long ago, my family and I moved into a new house. In addition to the headache of packing, I was pained by the costs that were involved – even though we relocated within the same city.

Since it was my family's choice to move into a larger home, I had to bite the bullet and put up with these expenses. However, for those of you that may have to move out of town due to work, there may be some financial upside to packing up and moving.

A deduction for moving expenses may be available if you have to move to a new work location (even if you stay with the same employer), or if you are changing location to attend a post-secondary institution on a full-time basis.

The rule is that the move must bring you at least 40 kilometres closer to your new place of work or learning.

Historically, this distance between your old home and your new home was to be measured “as the crow flies,” but a tax case in 1995 (Dianne M Gianakopoulos) indicated that the correct approach would be to use the shortest normal route open to the public (including ferries and rail lines, where applicable).

If you meet this rule, then you can deduct certain expenses incurred as part of your move. CRA Form T1-M needs to be filed with your tax return when claiming the expenses. This form, as well as the relevant section of the Income Tax Act, itemizes a number of expenses that are deductible:

- Travel costs (including reasonable amounts for meals and lodging) in the course of moving you and the members of your household;
- The cost of transporting or storing household effects in the course of moving – including items such as boats and trailers;
- The cost of meals and lodging near the old or new home for you and members of your household, for a period of up to 15 days;
- The cost of cancelling a lease for the old house (if you rent);
- Selling costs in respect of the sale of the old house (if you own), including real estate commissions (this would also include, for example, mortgage penalties for early discharge and legal fees); and

In cases where the old home is being sold because of the move, the cost of legal fees relating to the purchase of a new home, as well as any tax, fee or duty (other than any goods and services tax or value-added tax).

This includes transfer or title registration taxes (and if you happen to be buying in Toronto, this could be important since you’ll be subject to land transfer tax both at the provincial and municipal level).

Certain costs of maintaining a vacant former home (including mortgage interest, property taxes, insurance and the cost of utilities) may also be
deducted, up to a limit of $5,000. In addition, costs of revising legal documents to reflect the address of your new residence, replacing drivers’ licenses and non-commercial vehicle permits (excluding any cost for vehicle insurance) and connecting or disconnecting utilities may all be claimed.

And, generally, these are all the items that have been viewed as acceptable moving-expense claims.

However, another case that came out in 2010 (Van Zant versus The Queen) seemed to suggest otherwise.

In fact, the Court in this case stated that since the definition of moving expenses in the Income Tax Act uses the word “includes” when itemizing the above deductions, this list is not meant to be exhaustive.

In the case at hand, the taxpayer attempted to deduct a long list of expenses, including (among other things) the cost of cartons and tapes used for packing, phone cards, a table fan and lights for her motor home which she used as temporary living space, and – my favourite – the cost of alcohol (although the case does not expand on what basis alcohol was claimed, a bottle of wine or two would definitely have helped ease the pains of my own packing).

Although the Judge in the subject case did not allow all of the expenses claimed by the taxpayer, Van Zant versus The Queen is of interest for the very fact that moving expenses may not necessarily be limited to the list noted above (and per the relevant tax sections in the Income Tax Act).

H ow to claim

With respect to moving expenses, you can choose to claim meal and vehicle expenses using one of two methods: claiming these expenses in accordance with actual receipts and records of the expenses incurred; or calculating meal and/or vehicle expenses using a simplified method (in the case of meals, for example, claiming a flat rate per meal).

For vehicle expenses, a record must be kept of the number of kilometres driven in the course of moving.

The amount that may be claimed for vehicle expenses is determined by multiplying the number of kilometres travelled in the course of moving by a flat, per-kilometre rate.

You can find Information on the current rate per meal and per kilometre from the CRA’s “Tax Information Phone Service” (T.I.P.S.) at 1-800-267-6999, or on their web page at: www.cra.gc.ca/tips.

Note: you should calculate your expenses using both methods before filing – the differences between the two can be dramatic. If you file using actual receipts, CanRev usually will not permit an amendment to the tax return.

Of course, no deduction would be complete without certain restrictions:

✓ Students may also deduct moving expenses, but in this case, special rules apply. Deductions may be claimed if the student moves to take a job (including a summer job). But if a student moves to attend a postsecondary school full-time, deductions can be taken only against taxable scholarships and research grants.

✓ In the year of relocation, expenses can be deducted only against income made in the new location. However, undeducted moving expenses can be applied to next year’s tax return against future income in the new job or business. (This would be particularly beneficial if the move was late in the year.)

✓ Of course, moving expenses that are paid for, or reimbursed by the employer, are not deductible. However, an employee may, if desired, include partial reimbursements in income, and then deduct moving expenses that are eligible. This will be advantageous if eligible moving expenses exceed the amounts paid by the employer.

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